

**VILLAGE OF NASHVILLE**  
**FINANCIAL STATEMENTS**  
For the year ended February 29, 2004

## AUDITING PROCEDURES REPORT

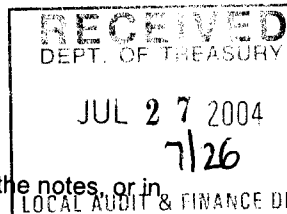
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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Village of Nashville</u>	County <u>Barry</u>
Audit Date <u>February 29, 2004</u>	Opinion Date <u>April 22, 2004</u>	Date Accountant Report Submitted to State: <u>July 26, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>WALKER, FLUXE &amp; SHELTON, PLLC</u>			
Street Address <u>525 W Apple St</u>	City <u>Hastings</u>	State <u>MI</u>	ZIP <u>49058</u>
Accountant Signature <u>Walker, Fluxe &amp; Sheldon, PLLC Katherine K. Sheldon, CPA</u>			

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**WALKER, FLUKE & SHELDON, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT**

To the Village Council  
Village of Nashville  
Barry County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Nashville, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Village of Nashville, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Nashville, Michigan, as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2004, on our consideration of Village of Nashville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents as supplemental data are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Village of Nashville, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Hastings, Michigan  
April 22, 2004

*Walker, Fluke & Sheldon, PLC*

**VILLAGE OF NASHVILLE**  
**COMBINED BALANCE SHEET -**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
February 29, 2004

ASSETS	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)
	General	Special Revenue			General Fixed Assets	Long-Term Debt	Primary Government	
Cash and Cash Equivalents	\$ 442,212	\$ 234,947	\$ 265,425	\$ -	\$ -	-	\$ 942,584	
Investments	-	2,000	154,419	12,065	-	-	168,484	
Receivables								
Taxes - Delinquent	38,287	-	-	-	-	-	38,287	
Special Assessment	11,756	-	-	-	-	-	11,756	
Accounts (Net of Estimated Uncollectibles)	-	-	62,879	-	-	-	62,879	
Due From State	57,554	23,506	-	-	-	-	81,060	
Due From Other Funds	11,401	1,233	1,421	-	-	-	14,055	
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	-	-	6,086,528	-	825,670	-	6,912,198	
Amount to be Provided for Retirement of General Long- Term Debt	-	-	-	-	-	18,609	18,609	
Total Assets	\$ 561,210	\$ 261,686	\$ 6,570,672	\$ 12,065	\$ 825,670	\$ 18,609	\$ 8,249,912	

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**COMBINED BALANCE SHEET -**  
**ALL FUND TYPES AND ACCOUNT GROUPS (Continued)**  
**February 29, 2004**

LIABILITIES AND FUND EQUITY	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS			(MEMORANDUM ONLY)
	General	Special Revenue	Enterprise	Agency	General Fixed Assets	General Long-Term Debt	Primary Government	
Liabilities								
Accounts Payable	\$ 6,333	\$ -	\$ -	\$ -	\$ -	-	\$ 6,333	
Accrued Liabilities	18	-	35,679	-	-	-	35,697	
Due to State	-	2,303	-	-	-	-	2,303	
Due to Other Funds	1,233	1,746	11,076	-	-	-	14,055	
Due to Employees for Deferred Compensation	-	-	-	12,065	-	-	12,065	
Deferred Revenue								
Taxes and Assessments	47,184	-	-	-	-	-	47,184	
Bonds Payable	-	-	2,378,000	-	-	-	2,378,000	
Vested Employee Benefits Payable	-	-	-	-	-	18,609	18,609	
Total Liabilities	54,768	4,049	2,424,755	12,065	-	18,609	2,514,246	
Fund Equity								
Investment in Fixed Assets	-	-	-	-	825,670	-	825,670	
Contributed Capital	-	-	3,212,572	-	-	-	3,212,572	
Retained Earnings								
Reserved	-	-	154,419	-	-	-	154,419	
Unreserved	-	-	778,926	-	-	-	778,926	
Fund Balances								
Unreserved - Undesignated	176,621	257,637	-	-	-	-	434,258	
Designated	274,054	-	-	-	-	-	274,054	
Restricted	55,767	-	-	-	-	-	55,767	
Total Fund Equity	506,442	257,637	4,145,917	-	825,670	-	5,735,666	
Total Liabilities and Fund Equity	\$ 561,210	\$ 261,686	\$ 6,570,672	\$ 12,065	\$ 825,670	\$ 18,609	\$ 8,249,912	

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**February 29, 2004**

	<b>GOVERNMENTAL FUND TYPES</b>		<b>TOTAL (MEMORANDUM ONLY)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Primary Government</b>
<b>Revenues</b>			
Taxes and Penalties	\$ 252,596	\$ -	\$ 252,596
Licenses and Permits	4,030	-	4,030
State Grants	199,769	131,404	331,173
Charges for Services	10,265	7,963	18,228
Fines and Forfeits	3,032	-	3,032
Interest and Rentals	3,945	1,589	5,534
Other Revenue	72,077	135	72,212
<b>Total Revenues</b>	<b>545,714</b>	<b>141,091</b>	<b>686,805</b>
<b>Expenditures</b>			
Current			
Legislative	22,218	-	22,218
General Government	69,450	13,857	83,307
Public Safety	181,639	627	182,266
Public Works	129,574	105,783	235,357
Health and Welfare	10,000	-	10,000
Recreation and Cultural	13,431	-	13,431
Other	36,219	-	36,219
Capital Outlay	63,989	-	63,989
<b>Total Expenditures</b>	<b>526,520</b>	<b>120,267</b>	<b>646,787</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>19,194</b>	<b>20,824</b>	<b>40,018</b>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	4,800	52,400	57,200
Operating Transfers (Out)	(56,800)	(400)	(57,200)
<b>Total Other Financing Sources (Uses)</b>	<b>(52,000)</b>	<b>52,000</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(32,806)</b>	<b>72,824</b>	<b>40,018</b>
<b>Fund Balance--March 1, 2003</b>	<b>539,248</b>	<b>184,813</b>	<b>724,061</b>
<b>Fund Balance--February 29, 2004</b>	<b>\$ 506,442</b>	<b>\$ 257,637</b>	<b>\$ 764,079</b>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL- GENERAL FUND AND SPECIAL REVENUE FUNDS - PRIMARY GOVERNMENT**  
**For the Year Ended February 29, 2004**

	GENERAL FUND			SPECIAL REVENUE FUNDS			TOTAL (MEMORANDUM ONLY)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>									
Taxes and Penalties	\$252,596	\$252,596	\$ -	\$ -	\$ -	\$ -	\$252,596	\$252,596	\$ -
Licenses and Permits	4,030	4,030	-	-	-	-	4,030	4,030	-
State Grants	204,278	199,769	(4,509)	130,580	131,404	824	334,858	331,173	(3,685)
Charges for Services	6,094	10,265	4,171	7,633	7,963	330	13,727	18,228	4,501
Fines and Forfeits	2,910	3,032	122	-	-	-	2,910	3,032	122
Interest and Rentals	3,810	3,945	135	1,581	1,589	8	5,391	5,534	143
Other Revenues	80,102	72,077	(8,025)	130	135	5	80,232	72,212	(8,020)
<b>Total Revenues</b>	<b>553,820</b>	<b>545,714</b>	<b>(8,106)</b>	<b>139,924</b>	<b>141,091</b>	<b>1,167</b>	<b>693,744</b>	<b>686,805</b>	<b>(6,939)</b>
<b>Expenditures</b>									
<b>Current</b>									
Legislative	25,160	22,218	2,942	-	-	-	25,160	22,218	2,942
General Government	72,782	69,450	3,332	15,146	13,857	1,289	87,928	83,307	4,621
Public Safety	197,368	181,639	15,729	630	627	3	197,998	182,266	15,732
Public Works	132,869	129,574	3,295	134,361	105,783	28,578	267,230	235,357	31,873
Health and Welfare	10,000	10,000	-	-	-	-	10,000	10,000	-
Recreation and Cultural	14,900	13,431	1,469	-	-	-	14,900	13,431	1,469
Other	35,610	36,219	(609)	-	-	-	35,610	36,219	(609)
Capital Outlay	63,989	63,989	-	-	-	-	63,989	63,989	-
<b>Total Expenditures</b>	<b>552,678</b>	<b>526,520</b>	<b>26,158</b>	<b>150,137</b>	<b>120,267</b>	<b>29,870</b>	<b>702,815</b>	<b>646,787</b>	<b>56,028</b>

The Notes to Financial Statements are an integral part of this statement.



**VILLAGE OF NASHVILLE**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUNDS - PRIMARY GOVERNMENT (Cont'd)**  
For the Year Ended February 29, 2004

	GENERAL FUND			SPECIAL REVENUE FUNDS			TOTAL (MEMORANDUM ONLY)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Excess of Revenues Over (Under) Expenditures	1,142	19,194	18,052	(10,213)	20,824	31,037	(9,071)	40,018	49,089
Other Financing Sources (Uses)									
Operating Transfers In	4,800	4,800	-	52,400	52,400	-	57,200	57,200	-
Operating Transfers (Out)	(56,800)	(56,800)	-	(400)	(400)	-	(57,200)	(57,200)	-
Total Other Financing Sources (Uses)	(52,000)	(52,000)	-	52,000	52,000	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(50,858)	(32,806)	18,052	41,787	72,824	31,037	(9,071)	40,018	49,089
Fund Balance--March 1, 2003	539,248	539,248	-	184,813	184,813	-	724,061	724,061	-
Fund Balance--February 29, 2004	\$ 488,390	\$ 506,442	\$ 18,052	\$ 226,600	\$ 257,637	\$ 31,037	\$ 714,990	\$ 764,079	\$ 49,089

**VILLAGE OF NASHVILLE**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES**  
**For the Year Ended February 29, 2004**

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Operating Revenues	
Charges for Services	\$ 425,600
Other Operating Revenue	<u>14,899</u>
Total Operating Revenues	<u>440,499</u>
Operating Expenses	
Administration	38,291
Salaries and Fringe Benefits	115,552
Supplies	29,177
Contractual Services	5,652
Maintenance of Effort	24,187
Miscellaneous	1,831
Depreciation	<u>93,734</u>
Total Operating Expenses	<u>308,424</u>
Operating Income	<u>132,075</u>
Nonoperating Revenues (Expenses)	
Interest Earned on Investments	12,035
Interest Expense	<u>(94,278)</u>
Total Nonoperating Revenues (Expenses)	<u>(82,243)</u>
Net Income	49,832
Retained Earnings--March 1, 2003	<u>883,513</u>
Retained Earnings--February 29, 2004	<u>\$ 933,345</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**For the Year Ended February 29, 2004**

Cash Flows From Operating Activities:	
Cash Charges for Services	\$ 412,513
Other Operating Revenue	14,899
Administrative Costs	(38,291)
Cash Payments to Employees for Services	(115,552)
Cash Payments to Suppliers for Goods and Services	(150,987)
Miscellaneous Expenses	<u>(1,831)</u>
Net Cash Provided by Operating Activities	<u>120,751</u>
Cash Flows From Capital and Related Financing Activities:	
Capital Contributions	125,000
Payment of Principal	(100,000)
Payment of Interest	<u>(95,727)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(70,727)</u>
Cash Flows From Investing Activities:	
Interest on Cash Equivalents	12,035
Purchase of Investments	(9,583)
Purchase of Fixed Assets	<u>(103,225)</u>
Net Cash Used by Investing Activities	<u>(100,773)</u>
Net Increase in Cash and Cash Equivalents	(50,749)
Cash and Cash Equivalents at Beginning of the Year	<u>316,174</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 265,425</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 132,075
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation	93,734
Decrease (Increase) in Accounts Receivable	(15,249)
Decrease (Increase) in Due From Other Funds	(1,421)
Decrease (Increase) in Accrued Interest Receivable	2,162
Increase (Decrease) in Accounts Payable	(55,270)
Increase (Decrease) in Due to Other Funds	<u>(35,280)</u>
Net Cash Provided by Operating Activities	<u>\$ 120,751</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2004**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**DESCRIPTION OF VILLAGE OPERATIONS**

The Village of Nashville was organized in 1869 and covers an area of 2.1 square miles. The Village operates under an elected council of nine members and provides services to its almost 1,700 residents in many areas including police and fire protection and highway and street maintenance. Education services are provided to citizens through several local school districts which are separate governmental entities. Fire and ambulance service is provided by Castleton and Maple Grove Townships and Village of Nashville Fire Board and Ambulance Board. The local units are assessed for their respective share of the Boards' expenditures.

**REPORTING ENTITY**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Village of Nashville and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**JOINT VENTURES**

**Ambulance Department**

The Village of Nashville has entered into a joint venture agreement between the Township of Castleton, the Township of Maple Grove and the Village of Nashville for the ownership, operation and maintenance of an ambulance department, equipment and housing. Each municipality appoints two members from their legislative bodies to act as the ambulance board. Said board has the general supervision of equipment, finances and policies of the department. Equipment and housing is the property of the two townships. Funds for equipment and housing, when not available from other means, are provided by the two townships as follows: Castleton - two-thirds; Maple Grove - one-third. Operating expenses, when not available from other means are shared equally by the three municipalities. A true and accurate account of the expenditures is kept by the ambulance board and reported to the various municipalities from time to time, at least annually. The following financial information of the joint venture is as of and for the year ending March 31, 2003:

Total Assets	\$ 142,932	Total Revenues	\$ 96,319
Total Liabilities	\$ 810	Total Expenditures	\$ 127,213
Total Equity	\$ 142,122	Increase (Decrease) in Fund Balance	\$ (30,894)
Total Joint Venture Outstanding Debt	\$ -	Village of Nashville's Share of Assets	\$ 5,019

**Fire Department**

The Village of Nashville has entered into a joint venture agreement between the Township of Castleton, the Township of Maple Grove and the Village of Nashville for the operation and maintenance of certain fire fighting equipment and apparatus. Each municipality appoints two members from their legislative bodies to act as the fire board. The fire board has the authority to exercise policy making powers over the fire fighting equipment and also exercise control and supervision over the financial affairs of the fire department. The equipment is manned and operated by the personnel of the Nashville Fire Department, under the general supervision of the fire board. The total cost of operation of the fire department is shared equally by the three municipalities. A true and accurate account of the expenditures is kept by the fire board and reported to the various municipalities from time to time, at least annually.

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2004**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fire Department (Continued)**

The following financial information of the joint venture is as of and for the year ending March 31, 2003:

Total Assets	\$ 244,521	Total Revenues	\$ 78,328
Total Liabilities	\$ 443	Total Expenditures	\$ 79,586
Total Equity	\$ 244,078	Increase (Decrease) in Fund Balance	\$ (1,258)
Total Joint Venture Outstanding Debt	\$ -	Village of Nashville's Share of Assets	\$ 12,647

**Transfer and Recycling**

The Village of Nashville has entered into a joint venture agreement between the Township of Castleton, the Township of Maple Grove and the Village of Nashville to construct and operate a transfer and recycling facility. Each municipality appoints two representatives from their legislative bodies to act as the combined facility board. The combined board has the authority to set policies for its own operation, and also has the authority to regulate, control, set fees and otherwise govern the facility. Cost of construction and/or improvements to property are shared two-thirds by Castleton Township and one-third by Maple Grove Township. Operation costs are shared equally by each unit of government if not covered by fees charged. Any surplus of fees charged remains with the combined facility board to be used for operation, improvements or expansion. This joint venture is perpetual until terminated by joint action of all units or by an individual unit not less than one year after its notice thereof. Any unit terminating their part of the arrangement forfeits their share of investments. The following financial information of the joint venture is as of and for the year ending March 31, 2003:

Total Assets	\$ 2,409	Total Revenues	\$ 45,879
Total Liabilities	\$ 1,361	Total Expenditures	\$ 44,027
Total Equity	\$ 1,048	Increase (Decrease) in Fund Balance	\$ 1,852
Total Joint Venture Outstanding Debt	\$ -	Village of Nashville's Share of Assets	\$ 803

**Library**

The Village of Nashville has entered into a joint venture agreement between the Township of Castleton, the Township of Maple Grove and the Village of Nashville for the operation and maintenance of the Putnam District Library. The Village agrees to budget \$2,000.00 annually to the library with an accumulation of not greater than \$10,000.00 for major repairs to the library property. The Village agrees to carry adequate liability and structure insurance. A true and accurate account of the expenditures is kept by the library board and reported to the various municipalities from time to time, at least annually. The following financial information of the joint venture is as of and for the year ending March 31, 2003:

Total Assets	\$ 335,913	Total Revenues	\$ 128,949
Total Liabilities	\$ 1,196	Total Expenditures	\$ 75,490
Total Equity	\$ 334,717	Increase (Decrease) in Fund Balance	\$ 53,459
Total Joint Venture Outstanding Debt	\$ -	Village of Nashville's Share of Assets	\$ -

Complete financial statements of the individual joint ventures can be obtained from their respective offices or from the Clerk's office as follows:

Ambulance Board	Fire Board	Transfer and Recycling	Putnam Public Library
Castleton Township	Castleton Township	Castleton Township	327 N Main
915 Reed	915 Reed	915 Reed	Nashville, MI 49073
Nashville, MI 49073	Nashville, MI 49073	Nashville, MI 49073	

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2004**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION**

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Village of Nashville are recorded in separate funds and account groups, categorized as follows:

**GOVERNMENTAL FUNDS**

**General Fund**

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general Village of Nashville governmental departments, boards and commissions; (2) law enforcement; and (3) health, welfare and medical assistance. The fund includes the general operating expenditures of the local unit.

**Special Revenue Funds**

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

**PROPRIETARY FUNDS**

**Enterprise Funds**

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**FIDUCIARY FUNDS**

**Agency Fund**

The agency fund is used to account for assets held by others. The agency funds included herein are used to account for the Village's deferred compensation plan. The deferred compensation is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2004**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCOUNT GROUPS**

**General Fixed Assets Account Group**

This Account Group presents the fixed assets of the local unit utilized in its general operations (non-proprietary fixed assets).

Fixed assets used in the general operation of the Village of Nashville are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

**General Long-Term Debt Account Group**

This Account Group presents the balance of general obligation long-term debt which is not recorded in proprietary or trust funds.

**MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of Village of Nashville conform to generally accepted accounting principles as applicable to governmental units.

**Governmental Funds**

The Governmental Fund Types (General and Special Revenue) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

**Proprietary Funds**

The Proprietary Fund Types (Enterprise) are accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. The Village applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Fiduciary Funds**

The Fiduciary Funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

**Other Financing Sources (Uses)**

The transfers of cash between the various Village funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2004**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH, CASH EQUIVALENTS AND INVESTMENTS**

For the purpose of the statement of cash flows, demand deposits and short-term investments with a maturity of three months or less when acquired are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

**RECEIVABLES - TAXES**

The Village's property taxes are levied and become a lien on each July 1 based on the taxable valuation of property located in the Village as of the preceding December 31st. These taxes are due on August 31 with the final collection date of September 15 before they are added to the county delinquent tax rolls.

The 2003 Taxable Value of the Village totaled \$18,525,842, on which ad valorem taxes levied consisted of 8.9869 mills for Village operating purposes, 3.9965 mills for the Village's street operations, and .7812 mills for sidewalks, raising \$166,486 for operating purposes, \$74,035 for street operations and \$14,469 for sidewalks. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2003 taxes collected and 2002 delinquent taxes collected in the current fiscal year.

The delinquent real property taxes of the Village of Nashville are purchased by Barry County. The County intends to sell tax notes, the proceeds of which will be used to pay the Village for these property taxes. These taxes have been recorded as deferred revenue for the current year since they are not available to fund expenditures of the current period.

**PROPERTY AND EQUIPMENT**

Property and equipment used in governmental fund type operations is accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such property and equipment. All property and equipment is valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property and equipment is valued at its estimated fair market value on the date donated.

Property and equipment used in proprietary fund type operations (Sewer and Water Systems) are capitalized and shown on their respective balance sheets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line method. The service lives by type of asset are as follows:

Building, distribution system, treatment plant	40	yrs.
Collection system	30-80	yrs.
Equipment	5-12.5	yrs.

**FUND BALANCE DESIGNATION AND RESTRICTION**

In the general fund, parts of the fund balance have been designated for police equipment, contingency and equipment. By designating a portion of fund balance for a specific purpose, the Village Council has established a policy that the amounts designated be used for a specific purpose. The Village Council can change the amounts so designated if they desire.

Also in the general fund, part of the fund balance is restricted for locally administered streets. By restricting a portion of the fund balance for a specific purpose, the Village has limited the use of the funds for that specific purpose only. The Village Council cannot change the amounts restricted and cannot spend the restricted funds for any purpose other than locally administered streets and demolition.



**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2004**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RETAINED EARNINGS RESERVE**

In the Sewer and Water System funds, certain amounts of the retained earnings are reserved for bond and interest redemption. The amounts of the reserves are established by bond ordinances. Any use of the reserve balances would be a violation of the bond ordinances.

**BUDGETS, BUDGETARY ACCOUNTING AND BUDGET BASIS OF ACCOUNTING**

Budgets are adopted for all governmental fund types, as required by law. Budgets are adopted at the activity level. The combined statement of revenues, expenditures, and changes in the fund balance - all governmental funds presents comparisons at the functional level. The Village uses the same basis of accounting for budgeting purposes as for financial statement presentation. The budget figures used are not the original amounts adopted at the beginning of the year. The budget has been amended by the Village Council at regularly scheduled meetings in accordance with the requirements of P.A. 621 of 1978.

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Nashville.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TOTAL COLUMN ON COMBINED STATEMENTS--OVERVIEW**

The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2004**

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (Continued)**

During the year ended February 29, 2004, the Village incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>TOTAL APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General			
Other			
Insurance, Bonds & Fringes	\$ 32,060	\$ 32,139	\$ 79
Miscellaneous	\$ 3,550	\$ 4,080	\$ 530

**BALANCE SHEET-CASH AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated two banks and one federal savings bank for the deposit of Village of Nashville funds.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Village cash deposits are as follows:

<u>DEPOSIT</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Insured (FDIC)	\$ 222,206	\$ 225,237
Uninsured	<u>876,797</u>	<u>912,503</u>
Total Deposits	<u>\$ 1,099,003</u>	<u>\$ 1,137,740</u>
Cash and Cash Equivalents	\$ 942,584	\$ 981,316
Investments in Certificates of Deposits with a Maturity Greater Than Three Months	<u>156,419</u>	<u>156,424</u>
Total Deposits	<u>\$ 1,099,003</u>	<u>\$ 1,137,740</u>

At February 29, 2004, \$154,419 of investments in certificates of deposit in the Enterprise Funds were restricted for bond and interest redemption as described in the previous retained earnings reserve footnote. Restricted investments are held in two certificates bearing interest at approximately 2.25% to 7.50%.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2004**

**BALANCE SHEET-CASH AND INVESTMENTS (Continued)**

Investments--Investments accumulated under an eligible deferred compensation plan may be placed at the authorization of a governing body, with a financial institution authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, or trust established by public employers for the investment of deferred compensation or retirement plans. Such funds shall be invested as directed by the governing body.

The Village's investments for Deferred Compensation consist of assets held by Scudder Investments purchased through the Village's agent, Actuarial Benefit Administrators. Michigan Compiled Laws, section 38.1121, authorizes the Village to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. The Village's deferred compensation investments are in accordance with statutory authority. The nature of the investments (Common Stock Mutual Funds) does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

	<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
Mutual Fund Accounts	\$ 12,065	\$ 12,065
Total Investments	<u>\$ 12,065</u>	<u>\$ 12,065</u>

**ENTERPRISE FUNDS**

The Village maintains sewer and water systems for its residents. Selected summary information on each fund is as follows:

	<u>SEWER SYSTEM</u>	<u>WATER SYSTEM</u>	<u>TOTAL</u>
Operating Revenues	\$ 173,552	\$ 266,947	\$ 440,499
Depreciation	\$ 26,139	\$ 67,595	\$ 93,734
Operating Income	\$ 38,115	\$ 93,960	\$ 132,075
Net Income	\$ 22,339	\$ 27,493	\$ 49,832
Current Capital Contributions	\$ -	\$ 125,000	\$ 125,000
Property, Plant and Equipment			
Additions	\$ 5,592	\$ 97,633	\$ 103,225
Net Working Capital	\$ 31,602	\$ 251,368	\$ 282,970
Total Assets	\$ 3,093,754	\$ 3,476,918	\$ 6,570,672
Bonds and Notes Payable	\$ 515,000	\$ 1,863,000	\$ 2,378,000
Total Equity	\$ 2,563,872	\$ 1,582,045	\$ 4,145,917

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2004**

**FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group is as follows:

	<u>BALANCE</u> <u>2/28/03</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>2/29/04</u>
Land	\$ 32,870	\$ -	\$ -	\$ -	\$ 32,870
Land Improvements	19,316	27,064	-	-	46,380
Buildings	307,928	-	27,000	-	280,928
Equipment	<u>475,825</u>	<u>36,925</u>	<u>1,158</u>	<u>(46,100)</u>	<u>465,492</u>
Total	<u>\$ 835,939</u>	<u>\$ 63,989</u>	<u>\$ 28,158</u>	<u>\$ (46,100)</u>	<u>\$ 825,670</u>

The adjustments above reflect corrections made during the current year to adjust the carrying balances to the Village's actual physical asset listing.

A summary of proprietary fund type property, plant, and equipment at February 29, 2004 is as follows:

	<u>SEWER</u> <u>SYSTEM</u>	<u>WATER</u> <u>SYSTEM</u>	<u>DEPRECIABLE</u> <u>LIFE-YEARS</u>
Land	\$ 214,442	\$ 2,000	-
Construction In Progress	-	1,807	-
Buildings	10,000	835,637	40 yrs.
Distribution System	429,743	2,652,198	40 yrs.
1982 Sewer Expansion Project	4,673,013	-	12.5 - 80 yrs.
Equipment	<u>68,042</u>	<u>197,619</u>	5 - 10 yrs.
Total Cost	5,395,240	3,689,261	
Less: Accumulated Depreciation	<u>2,481,789</u>	<u>516,184</u>	
Net Carrying Amount	<u>\$ 2,913,451</u>	<u>\$ 3,173,077</u>	

**INTERFUND RECEIVABLES AND PAYABLES**

The amounts of the interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND</u> <u>RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND</u> <u>PAYABLES</u>
General	\$ 11,401	General	\$ 1,233
Major	1,013	Major Streets	1,421
Local	220	Lakeview Cemetary	325
Sewer	<u>1,421</u>	Sewer System	6,624
		Water System	<u>4,452</u>
	<u>\$ 14,055</u>		<u>\$ 14,055</u>

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2004**

**LONG-TERM DEBT**

The following is a summary of the debt outstanding of the Village of Nashville as of February 29, 2004:

	<u>INTEREST</u>	<u>MATURITY</u>	<u>AMOUNT</u>
Water System - 1998 Revenue Bonds	4.35 - 6.85%	2014	\$ 148,000
Water System - 2001 Revenue Bonds	2.50%	2022	925,000
Water System - 2001 Revenue Bonds	4.75%	2041	790,000
Sewer System -1998 Revenue Bonds	4.60 - 7.00%	2020	<u>515,000</u>

Total Debt-Enterprise Funds			<u>\$ 2,378,000</u>
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The following is a summary of changes in general long - term debt and other debt obligation transactions of the Village of Nashville for the year ended February 29, 2004:

	<u>ENTERPRISE FUND Revenue Bonds</u>	<u>GENERAL LONG-TERM DEBT Vested Employee Benefits</u>
Long Term Debt Payable - 3/1/03	\$ 2,478,000	\$ 18,910
Additions	-	-
Retirements	<u>100,000</u>	<u>301</u>
Long Term Debt Payable - 2/29/04	<u>\$ 2,378,000</u>	<u>\$ 18,609</u>

Total interest expense for the Village for the year amounted to \$94,278.

The annual principal and interest requirements for these debts are outlined as follows:

**WATER SUPPLY SYSTEM REVENUE BONDS - 1998 ISSUE**

<u>FISCAL YEAR ENDED</u>	<u>BOND PRINCIPAL</u>	<u>INTEREST 4.35% - 6.85%</u>	<u>ANNUAL REQUIREMENT</u>
2005	\$ 13,000	\$ 7,159	\$ 20,159
2006	14,000	6,567	20,567
2007	15,000	5,916	20,916
2008	16,000	5,211	21,211
2009	16,000	4,451	20,451
2010	17,000	3,683	20,683
2011	18,000	2,850	20,850
2012	19,000	1,950	20,950
2013	<u>20,000</u>	<u>1,000</u>	<u>21,000</u>
	<u>\$ 148,000</u>	<u>\$ 38,787</u>	<u>\$ 186,787</u>

NOTE: Bonds are Revenue Bonds, which mature serially on January 1 of each year. Interest is payable July 1, 1998 and semi-annually thereafter. Original amount of issue - \$215,000.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2004**

**LONG-TERM DEBT (Continued)**

**WATER SUPPLY SYSTEM DWRF REVENUE BONDS - 2001 ISSUE**

<u>FISCAL YEAR ENDED</u>	<u>BOND PRINCIPAL</u>	<u>INTEREST 2.50%</u>	<u>ANNUAL REQUIREMENT</u>
2005	\$ 40,000	\$ 22,625	\$ 62,625
2006	40,000	21,625	61,625
2007	40,000	20,625	60,625
2008	40,000	19,625	59,625
2009	45,000	18,563	63,563
2010	45,000	17,437	62,437
2011	45,000	16,313	61,313
2012	45,000	15,187	60,187
2013	45,000	14,063	59,063
2014	50,000	12,875	62,875
2015	50,000	11,625	61,625
2016	50,000	10,375	60,375
2017	50,000	9,125	59,125
2018	55,000	7,812	62,812
2019	55,000	6,438	61,438
2020	55,000	5,062	60,062
2021	55,000	3,688	58,688
2022	60,000	2,250	62,250
2023	<u>60,000</u>	<u>750</u>	<u>60,750</u>
	<u>\$ 925,000</u>	<u>\$ 236,063</u>	<u>\$ 1,161,063</u>

NOTE: Bonds are Drinking Water Revolving Fund Revenue Bonds, which mature serially on April 1, beginning in 2003. Interest is payable April 1, 2002 and semi-annually thereafter. Original amount of issue - \$965,000.

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2004**

**LONG-TERM DEBT (Continued)**

**WATER SUPPLY SYSTEM REVENUE BONDS - 2001 ISSUE**

<b><u>FISCAL YEAR ENDED</u></b>	<b><u>BOND PRINCIPAL</u></b>	<b><u>INTEREST 2.50%</u></b>	<b><u>ANNUAL REQUIREMENT</u></b>
2005	\$ 8,000	\$ 37,525	\$ 45,525
2006	8,000	37,145	45,145
2007	8,000	36,765	44,765
2008	9,000	36,385	45,385
2009	9,000	35,958	44,958
2010	10,000	35,530	45,530
2011	10,000	35,055	45,055
2012	11,000	34,580	45,580
2013	11,000	34,058	45,058
2014	12,000	33,535	45,535
2015	12,000	32,965	44,965
2016	13,000	32,395	45,395
2017	14,000	31,778	45,778
2018	14,000	31,113	45,113
2019	15,000	30,448	45,448
2020	16,000	29,735	45,735
2021	16,000	28,975	44,975
2022	17,000	28,215	45,215
2023	18,000	27,408	45,408
2024 - 2042	<u>559,000</u>	<u>301,336</u>	<u>860,336</u>
	<u>\$ 790,000</u>	<u>\$ 930,904</u>	<u>\$ 1,720,904</u>

NOTE: Bonds are Revenue Bonds, which mature serially on October 1 beginning in 2002. Interest is payable April 1, 2002 and semi-annually thereafter. Original amount of issue - \$804,000.

**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2004**

**LONG-TERM DEBT (Continued)**

**SEWER SYSTEM REVENUE BONDS - 1998 ISSUE**

<u>FISCAL YEAR ENDED</u>	<u>BOND PRINCIPAL</u>	<u>INTEREST 4.60% - 7.00%</u>	<u>ANNUAL REQUIREMENT</u>
2005	\$ 40,000	\$ 24,775	\$ 64,775
2006	45,000	24,775	69,775
2007	45,000	21,785	66,785
2008	50,000	18,795	68,795
2009	50,000	16,470	66,470
2010	50,000	14,145	64,145
2011	55,000	11,573	66,573
2012	55,000	9,000	64,000
2013	60,000	9,000	69,000
2013	<u>65,000</u>	<u>9,000</u>	<u>74,000</u>
	<u>\$ 515,000</u>	<u>\$ 159,318</u>	<u>\$ 674,318</u>

NOTE: Bonds are Revenue Bonds, which mature serially on May 1 beginning in 1999. Interest is payable November 1, 1998 and semi-annually thereafter. Original amount of issue - \$690,000.

The annual principle and interest payments due on all outstanding debt until maturity are as follows:

3/1/04 - 2/28/05	\$ 193,084
3/1/05 - 2/29/06	197,112
3/1/06 - 2/29/07	193,091
3/1/07 - 2/28/08	195,016
3/1/08 - 2/28/09	195,442
After five years	<u>2,769,327</u>
	<u>\$ 3,743,072</u>

**ACCRUED VACATION AND SICK LEAVE PAYABLE**

The Village has an accrued liability for accumulated vested vacation and sick leave. As of February 29, 2004 the accumulated vacation and sick leave benefits of the employees of various Village departments were as follows:

General Long-Term Debt Account Group:

	<u>VACATION</u>	<u>SICK LEAVE</u>	<u>TOTAL</u>
Primary Government	<u>\$ 4,717</u>	<u>\$ 13,892</u>	<u>\$ 18,609</u>
Total	<u>\$ 4,717</u>	<u>\$ 13,892</u>	<u>\$ 18,609</u>



**VILLAGE OF NASHVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2004**

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**LONG-TERM DEBT (Continued)**

**ACCRUED VACATION AND SICK LEAVE PAYABLE (Continued)**

The sick leave recorded in the General Long-Term Debt Account Group represents sick leave and bonus time off at current pay rates.

**VACATION AND SICK LEAVE POLICIES**

The employment policies for accumulation of vacation and sick leave benefits are as follows:

Vacation pay is earned by all full time employees according to the length of their employment and is available for use in the year following its accrual. Vacation time is paid at the employee's current pay rate and must be used in the year available. Upon termination of employment, employees will be paid for all unused vacation time.

Sick leave time is earned at the rate of ten days per year by full time employees. Unused sick leave benefits can accumulate to a maximum of 90 days. In addition, employees can earn three days bonus time off by limiting sick leave taken according to a sliding scale. Sick leave accrued is to be paid to the employees at the rate of \$10 per unused day at the time of termination of employment for any reason.

**DEFERRED COMPENSATION PLAN**

On February 28, 1998, the Village adopted a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan permits all full-time employees to participate in the plan. The Village contributes 5% to 6%, depending on job description, of gross earnings for all eligible employees and the employee can contribute 5% to 6% of gross earnings.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The Village is serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. The Village's beneficial ownership of plan assets will be held for the further exclusive benefit of the plan for the exclusive benefit of participants and beneficiaries.

It is the opinion of the Village's legal counsel that the Village, as trustee, has no liability for plan losses but does have the duty of due care that would be required of an ordinary prudent investor.

The plan is administered by the Village's agent, Actuarial Benefit Administrators and funded through Scudder Investments.

The plan's assets are included in the Village's combined statements in an agency fund. A summary of the activity in the plan for the year ended February 29, 2004 is as follows:

Balance - March 1, 2003	\$ 19,780
Contributions	6,171
Net Investment Gain	2,785
Withdrawals	<u>16,671</u>
Balance - February 29, 2004	<u>\$ 12,065</u>

**VILLAGE OF NASHVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2004**

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**RISK MANAGEMENT**

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its risk exposure and provides certain employee benefits through a combination of risk management pools and commercial insurance.

The Village participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles) that vary from member to member.

The Village also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At February 29, 2004, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

**VILLAGE OF NASHVILLE  
COMBINING BALANCE SHEET -  
SPECIAL REVENUE FUNDS  
February 29, 2004**

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Lakeview Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 69,991	\$ 153,030	\$ 11,387	\$ 539	\$ 234,947
Investments	-	-	2,000	-	2,000
Due From State	16,888	6,618	-	-	23,506
Due From Other Funds	<u>1,013</u>	<u>220</u>	<u>-</u>	<u>-</u>	<u>1,233</u>
Total Assets	<u>\$ 87,892</u>	<u>\$ 159,868</u>	<u>\$ 13,387</u>	<u>\$ 539</u>	<u>\$ 261,686</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Due to State	\$ 2,303	\$ -	\$ -	\$ -	\$ 2,303
Due to Other Funds	<u>1,421</u>	<u>-</u>	<u>325</u>	<u>-</u>	<u>1,746</u>
Total Liabilities	<u>3,724</u>	<u>-</u>	<u>325</u>	<u>-</u>	<u>4,049</u>
Fund Equity					
Fund Balance					
Unreserved - Undesignated	<u>84,168</u>	<u>159,868</u>	<u>13,062</u>	<u>539</u>	<u>257,637</u>
Total Fund Equity	<u>84,168</u>	<u>159,868</u>	<u>13,062</u>	<u>539</u>	<u>257,637</u>
Total Liabilities and Fund Equity	<u>\$ 87,892</u>	<u>\$ 159,868</u>	<u>\$ 13,387</u>	<u>\$ 539</u>	<u>\$ 261,686</u>

**VILLAGE OF NASHVILLE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS**  
**For the Year Ended February 29, 2004**

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Lakeview Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Total</u>
<b>Revenues</b>					
State Grants	\$ 95,232	\$ 36,172	\$ -	\$ -	\$ 131,404
Charges for Services	-	-	7,963	-	7,963
Interest and Rentals	370	1,071	148	-	1,589
Other Revenue	105	30	-	-	135
<b>Total Revenues</b>	<u>95,707</u>	<u>37,273</u>	<u>8,111</u>	<u>-</u>	<u>141,091</u>
<b>Expenditures</b>					
Current					
General Government					
Cemetery:					
Wages	-	-	9,830	-	9,830
Contract Labor	-	-	1,136	-	1,136
Supplies	-	-	455	-	455
Utilities	-	-	409	-	409
Maintenance and Repairs	-	-	2,027	-	2,027
Public Safety					
Police:					
Supplies	-	-	-	627	627
Public Works					
Street Administration	8,377	5,954	-	-	14,331
Street Routine Maintenance	21,772	22,060	-	-	43,832
Street Winter Maintenance	4,669	5,005	-	-	9,674
Traffic Services	122	137	-	-	259
Trees	3,486	3,541	-	-	7,027
Trunkline Maintenance	3,781	-	-	-	3,781
Street Construction	2,110	7,946	-	-	10,056
Fringes and Insurance	7,147	9,305	-	-	16,452
Miscellaneous	-	371	-	-	371
<b>Total Expenditures</b>	<u>51,464</u>	<u>54,319</u>	<u>13,857</u>	<u>627</u>	<u>120,267</u>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	<u>44,243</u>	<u>(17,046)</u>	<u>(5,746)</u>	<u>(627)</u>	<u>20,824</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	17,400	35,000	-	-	52,400
Operating Transfers (Out)	-	(400)	-	-	(400)
<b>Total Other Financing Sources (Uses)</b>	<u>17,400</u>	<u>34,600</u>	<u>-</u>	<u>-</u>	<u>52,000</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>61,643</u>	<u>17,554</u>	<u>(5,746)</u>	<u>(627)</u>	<u>72,824</u>
<b>Fund Balance--March 1, 2003</b>	<u>22,525</u>	<u>142,314</u>	<u>18,808</u>	<u>1,166</u>	<u>184,813</u>
<b>Fund Balance--February 29, 2004</b>	<u>\$ 84,168</u>	<u>\$ 159,868</u>	<u>\$ 13,062</u>	<u>\$ 539</u>	<u>\$ 257,637</u>

**VILLAGE OF NASHVILLE  
COMBINING BALANCE SHEET -  
ENTERPRISE FUNDS  
February 29, 2004**

<b>ASSETS</b>	<b>Sewer System</b>	<b>Water System</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 18,547	\$ 246,878	\$ 265,425
Investments	133,819	20,600	154,419
Receivables			
Accounts (Net of Estimated Uncollectibles)	26,516	36,363	62,879
Due From Other Funds	1,421	-	1,421
Fixed Assets (Net of Accumulated Depreciation)	<u>2,913,451</u>	<u>3,173,077</u>	<u>6,086,528</u>
Total Assets	<u>\$ 3,093,754</u>	<u>\$ 3,476,918</u>	<u>\$ 6,570,672</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities			
Accrued Liabilities	\$ 8,258	\$ 27,421	\$ 35,679
Due to Other Funds	6,624	4,452	11,076
Bonds Payable	<u>515,000</u>	<u>1,863,000</u>	<u>2,378,000</u>
Total Liabilities	<u>529,882</u>	<u>1,894,873</u>	<u>2,424,755</u>
Fund Equity			
Contributed Capital	2,053,303	1,159,269	3,212,572
Retained Earnings			
Reserved	133,819	20,600	154,419
Unreserved	<u>376,750</u>	<u>402,176</u>	<u>778,926</u>
Total Fund Equity	<u>2,563,872</u>	<u>1,582,045</u>	<u>4,145,917</u>
Total Liabilities and Fund Equity	<u>\$ 3,093,754</u>	<u>\$ 3,476,918</u>	<u>\$ 6,570,672</u>

**VILLAGE OF NASHVILLE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS - ENTERPRISE FUNDS**  
**For the Year Ended February 29, 2004**

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 171,002	\$ 254,598	\$ 425,600
Other Operating Revenue	<u>2,550</u>	<u>12,349</u>	<u>14,899</u>
Total Operating Revenues	<u>173,552</u>	<u>266,947</u>	<u>440,499</u>
Operating Expenses			
Administration	20,606	17,685	38,291
Salaries and Fringe Benefits	54,118	61,434	115,552
Supplies	11,257	17,920	29,177
Contractual Services	2,826	2,826	5,652
Maintenance and Repairs	19,204	4,983	24,187
Miscellaneous	1,287	544	1,831
Depreciation	<u>26,139</u>	<u>67,595</u>	<u>93,734</u>
Total Operating Expenses	<u>135,437</u>	<u>172,987</u>	<u>308,424</u>
Operating Income	<u>38,115</u>	<u>93,960</u>	<u>132,075</u>
Nonoperating Revenues (Expenses)			
Interest Earned on Investments	9,699	2,336	12,035
Interest Expense	<u>(25,475)</u>	<u>(68,803)</u>	<u>(94,278)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,776)</u>	<u>(66,467)</u>	<u>(82,243)</u>
Net Income	22,339	27,493	49,832
Retained Earnings--March 1, 2003	<u>488,230</u>	<u>395,283</u>	<u>883,513</u>
Retained Earnings--February 29, 2004	<u>\$ 510,569</u>	<u>\$ 422,776</u>	<u>\$ 933,345</u>

**VILLAGE OF NASHVILLE**  
**COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**For the Year Ended February 29, 2004**

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash Charges for Services	\$ 163,414	\$ 249,099	\$ 412,513
Other Operating Revenue	2,550	12,349	14,899
Administrative Costs	(20,606)	(17,685)	(38,291)
Cash Payments to Employees for Services	(54,118)	(61,434)	(115,552)
Cash Payments to Suppliers for Goods and Services	(54,670)	(96,317)	(150,987)
Miscellaneous Expenses	(1,287)	(544)	(1,831)
Net Cash Provided by Operating Activities	<u>35,283</u>	<u>85,468</u>	<u>120,751</u>
Cash Flows From Capital and Related Financing Activities:			
Capital Contributions	-	125,000	125,000
Payment of Principal	(40,000)	(60,000)	(100,000)
Payment of Interest	(26,275)	(69,452)	(95,727)
Net Cash Used by Capital and Related Financing Activities	<u>(66,275)</u>	<u>(4,452)</u>	<u>(70,727)</u>
Cash Flows From Investing Activities:			
Interest on Cash Equivalents	9,699	2,336	12,035
Purchase of Investments	(9,583)	-	(9,583)
Purchase of Fixed Assets	(5,592)	(97,633)	(103,225)
Net Cash Provided (Used) by Investing Activities	<u>(5,476)</u>	<u>(95,297)</u>	<u>(100,773)</u>
Net Increase in Cash and Cash Equivalents	(36,468)	(14,281)	(50,749)
Cash and Cash Equivalents at Beginning of the Year	<u>55,015</u>	<u>261,159</u>	<u>316,174</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 18,547</u>	<u>\$ 246,878</u>	<u>\$ 265,425</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 38,115	\$ 93,960	\$ 132,075
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	26,139	67,595	93,734
Decrease (Increase) in Accounts Receivable	(7,588)	(7,661)	(15,249)
Decrease (Increase) in Due From Other Funds	(1,421)	-	(1,421)
Decrease (Increase) in Accrued Interest Receivable	-	2,162	2,162
Increase (Decrease) in Accounts Payable	(6,720)	(48,550)	(55,270)
Increase (Decrease) in Due to Other Funds	(13,242)	(22,038)	(35,280)
Net Cash Provided by Operating Activities	<u>\$ 35,283</u>	<u>\$ 85,468</u>	<u>\$ 120,751</u>

**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended February 29, 2004**

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Taxes and Penalties			
Property Taxes		\$ 250,050	
Collection Fees		2,546	
Total Taxes and Penalties	\$ 252,596	<u>252,596</u>	\$ -
Licenses and Permits			
Cable TV Fees		2,558	
Liquor License Refund		1,472	
Total Licenses and Permits	4,030	<u>4,030</u>	-
State Grants			
Public Safety		651	
State Revenue Sharing:			
Sales Tax		199,118	
Total State Grants	204,278	<u>199,769</u>	(4,509)
Charges for Services			
Special Assessment - Sidewalks		10,040	
Zoning Board Fees		225	
Total Charges for Services	6,094	<u>10,265</u>	4,171
Fines and Forfeits	2,910	<u>3,032</u>	122
Interest and Rentals			
Interest		2,700	
Rentals		1,245	
Total Interest and Rentals	3,810	<u>3,945</u>	135
Other Revenue			
Miscellaneous		15,792	
Sale of Fixed Asset		29,132	
Equipment Rental		27,153	
Total Other Revenue	<u>80,102</u>	<u>72,077</u>	<u>(8,025)</u>
Total Revenues	<u>553,820</u>	<u>545,714</u>	<u>(8,106)</u>



**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended February 29, 2004**

<u>EXPENDITURES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Legislative:</b>			
Salaries - Village Council		7,360	
Dues		595	
Education		842	
Legal Fees		10,221	
Audit Fees		<u>3,200</u>	
Total Legislative	<u>25,160</u>	<u>22,218</u>	<u>2,942</u>
<b>General Government:</b>			
Village President:			
Salary		1,800	
Total Village President	1,800	<u>1,800</u>	-
Elections:			
Wages		177	
Supplies		442	
Total Elections	700	<u>619</u>	81
Village Clerk:			
Salary		24,089	
Supplies		6,147	
Transportation		121	
Printing and Postage		2,456	
Utilities		5,483	
Telephone		1,928	
Total Village Clerk	41,125	<u>40,224</u>	901
Treasurer:			
Salary		7,260	
Total Treasurer	7,400	<u>7,260</u>	140
Buildings and Grounds:			
Maintenance Wages		3,147	
Maintenance and Repairs		15,686	
Miscellaneous		714	
Capital Outlay		2,593	
Total Buildings and Grounds	<u>24,350</u>	<u>22,140</u>	<u>2,210</u>
Total General Government	<u>75,375</u>	<u>72,043</u>	<u>3,332</u>

**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended February 29, 2004**

<u>EXPENDITURES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Public Safety:</b>			
Police:			
Salaries and Wages		97,347	
Fringes		21,925	
Supplies		3,587	
Telephone		1,890	
Education		232	
Utilities		1,718	
Auto Expense		17,689	
Clothing and Dry Cleaning		794	
Miscellaneous		1,392	
Capital Outlay		24,949	
Total Police	187,252	171,523	15,729
Fire:			
Fire Board		20,000	
Hydrant Rental		11,875	
Total Fire	31,875	31,875	-
Planning and Zoning:			
Planning Board Wages		555	
Zoning Administrator and Board Wages		2,635	
Total Planning and Zoning	3,190	3,190	-
Total Public Safety	222,317	206,588	15,729
<b>Public Works:</b>			
Sanitation:			
Transfer Station		6,000	
Total Sanitation	6,000	6,000	-
Garage and Maintenance:			
Wages		13,728	
Parts		24,875	
Gas and Oil		5,490	
Maintenance and Utilities		11,194	
Capital Outlay		10,976	
Total Garage and Maintenance	66,976	66,263	713

**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended February 29, 2004**

<u>EXPENDITURES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Public Works (Continued):</b>			
Sidewalk Replacement:			
Wages		277	
Supplies		382	
Contract Labor		37,331	
Total Sidewalk Replacement	37,990	37,990	-
Locally Administered Streets:			
Wages		964	
Fringes		794	
Christmas Lights		567	
Street Lights		18,200	
Construction		7,535	
Snow Removal		1,156	
Miscellaneous		1,081	
Capital Outlay		24,471	
Total Locally Administered Streets	57,350	54,768	2,582
Total Public Works	168,316	165,021	3,295
<b>Health and Welfare:</b>			
Ambulance:			
Ambulance Board		10,000	
Total Ambulance	10,000	10,000	-
Total Health and Welfare	10,000	10,000	-
<b>Recreation and Cultural:</b>			
Parks:			
Wages		6,712	
Supplies		1,656	
Utilities		2,988	
Capital Outlay		1,000	
Total Parks	13,100	12,356	744
Library:			
Wages		169	
Maintenance and Repairs		1,906	
Total Library	2,800	2,075	725
Total Recreation and Cultural	15,900	14,431	1,469

**VILLAGE OF NASHVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended February 29, 2004**

<u>EXPENDITURES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Other:</b>			
Insurance, Bonds and Fringes:			
Multi-Peril Insurance		7,736	
Christmas Bonus		550	
Social Security		13,494	
Unemployment		1,083	
Employee Insurance		39,856	
Pension		3,774	
Vacation, Holiday and Sick		8,851	
Workers Compensation Insurance		6,314	
	85,060	81,658	3,402
Less: Reimbursement from Other Funds	(53,000)	(49,519)	(3,481)
Total Insurance, Bonds and Fringes	<u>32,060</u>	<u>32,139</u>	<u>(79)</u>
Miscellaneous:			
Miscellaneous		3,763	
Memorial Flags		317	
Total Miscellaneous	<u>3,550</u>	<u>4,080</u>	<u>(530)</u>
Total Other	<u>35,610</u>	<u>36,219</u>	<u>(609)</u>
Total Expenditures	<u>552,678</u>	<u>526,520</u>	<u>26,158</u>
Excess of Revenues Over Expenditures	<u>1,142</u>	<u>19,194</u>	<u>18,052</u>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	4,800	4,800	
Operating Transfers Out	<u>(56,800)</u>	<u>(56,800)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(52,000)</u>	<u>(52,000)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(50,858)	(32,806)	18,052
Fund Balance--March 1, 2003	<u>539,248</u>	<u>539,248</u>	<u>-</u>
Fund Balance--February 29, 2004	<u>\$ 488,390</u>	<u>\$ 506,442</u>	<u>\$ 18,052</u>

**VILLAGE OF NASHVILLE**  
**COMPARATIVE BALANCE SHEETS -**  
**SEWER FUND**  
**February 29, 2004 and February 28, 2003**

	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 18,547	\$ 55,015
Investments	133,819	124,236
Receivables		
Accounts (Net of Estimated		
Uncollectibles)	26,516	18,928
Due From Other Funds	1,421	-
Fixed Assets (Net of		
Accumulated Depreciation)	<u>2,913,451</u>	<u>3,019,643</u>
Total Assets	<u>\$ 3,093,754</u>	<u>\$ 3,217,822</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
Liabilities		
Accounts Payable	\$ -	\$ 6,720
Accrued Liabilities	8,258	9,058
Due to Other Funds	6,624	19,866
Bonds Payable	<u>515,000</u>	<u>555,000</u>
Total Liabilities	<u>529,882</u>	<u>590,644</u>
Fund Equity		
Contributed Capital	2,053,303	2,138,948
Retained Earnings		
Reserved	133,819	124,236
Unreserved	<u>376,750</u>	<u>363,994</u>
Total Fund Equity	<u>2,563,872</u>	<u>2,627,178</u>
Total Liabilities and Fund Equity	<u>\$ 3,093,754</u>	<u>\$ 3,217,822</u>

**VILLAGE OF NASHVILLE**  
**COMPARATIVE BALANCE SHEETS -**  
**WATER FUND**  
**February 29, 2004 and February 28, 2003**

	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 246,878	\$ 261,159
Investments	20,600	20,600
Receivables		
Accounts (Net of Estimated		
Uncollectibles)	36,363	28,702
Accrued Interest	-	2,162
Fixed Assets (Net of		
Accumulated Depreciation)	<u>3,173,077</u>	<u>3,174,028</u>
Total Assets	<u>\$ 3,476,918</u>	<u>\$ 3,486,651</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
Liabilities		
Accounts Payable	\$ -	\$ 48,550
Accrued Liabilities	27,421	28,070
Due to Other Funds	4,452	26,490
Bonds Payable	<u>1,863,000</u>	<u>1,923,000</u>
Total Liabilities	<u>1,894,873</u>	<u>2,026,110</u>
Fund Equity		
Contributed Capital	1,159,269	1,065,258
Retained Earnings		
Reserved	20,600	20,600
Unreserved	<u>402,176</u>	<u>374,683</u>
Total Fund Equity	<u>1,582,045</u>	<u>1,460,541</u>
Total Liabilities and Fund Equity	<u>\$ 3,476,918</u>	<u>\$ 3,486,651</u>

**VILLAGE OF NASHVILLE**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS - SEWER FUND**  
**For the Years Ended February 29, 2004 and February 28, 2003**

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Charges for Services	\$ 171,002	\$ 157,451
Other Operating Revenue	<u>2,550</u>	<u>4,412</u>
Total Operating Revenues	<u>173,552</u>	<u>161,863</u>
Operating Expenses		
Administration	20,606	18,613
Salaries and Fringe Benefits	54,118	55,220
Supplies	11,257	10,431
Contractual Services	2,826	2,500
Maintenance and Repairs	19,204	5,945
Miscellaneous	1,287	135
Depreciation	<u>26,139</u>	<u>24,087</u>
Total Operating Expenses	<u>135,437</u>	<u>116,931</u>
Operating Income	<u>38,115</u>	<u>44,932</u>
Nonoperating Revenues (Expenses)		
Interest Earned on Investments	9,699	14,004
Interest Expense	<u>(25,475)</u>	<u>(27,825)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,776)</u>	<u>(13,821)</u>
Net Income Before Other Financing Sources	<u>22,339</u>	<u>31,111</u>
Other Financing Sources		
Operating Transfers In	<u>-</u>	<u>28,480</u>
Total Other Financing Sources	<u>-</u>	<u>28,480</u>
Net Income	22,339	59,591
Retained Earnings--Beginning	<u>488,230</u>	<u>428,639</u>
Retained Earnings--Ending	<u>\$ 510,569</u>	<u>\$ 488,230</u>

**VILLAGE OF NASHVILLE**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS - WATER FUND**  
**For the Years Ended February 29, 2004 and February 28, 2003**

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Charges for Services	\$ 254,598	\$ 247,681
Other Operating Revenue	<u>12,349</u>	<u>11,268</u>
Total Operating Revenues	<u>266,947</u>	<u>258,949</u>
Operating Expenses		
Administration	17,685	15,406
Salaries and Fringe Benefits	61,434	86,242
Supplies	17,920	18,609
Contractual Services	2,826	2,500
Maintenance and Repairs	4,983	12,211
Miscellaneous	544	465
Depreciation	<u>67,595</u>	<u>33,032</u>
Total Operating Expenses	<u>172,987</u>	<u>168,465</u>
Operating Income	<u>93,960</u>	<u>90,484</u>
Nonoperating Revenues (Expenses)		
Interest Earned on Investments	2,336	3,918
Interest Expense	<u>(68,803)</u>	<u>(56,723)</u>
Total Nonoperating Revenues (Expenses)	<u>(66,467)</u>	<u>(52,805)</u>
Net Income	27,493	37,679
Retained Earnings--Beginning	<u>395,283</u>	<u>357,604</u>
Retained Earnings--Ending	<u>\$ 422,776</u>	<u>\$ 395,283</u>





**WALKER, FLUKE & SHELDON, PLC**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Nashville  
Barry County, Michigan

We have audited the general purpose financial statements of the Village of Nashville as of and for the year ended February 29, 2004, and have issued our report thereon dated April 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Nashville's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Nashville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Nashville, in a separate letter dated April 22, 2004.

This report is intended for the information of the Village Council and management. However, this report is a matter of public record and its distribution is not limited.

Hastings, MI  
April 22, 2004

*Walker, Fluke & Sheldon, PLC*